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TN REGULATORY AUTHORITY
DOCKET ROOM

March 17, 2003

VIA HAND DELIVERY

03-00209

Sarah Kyle
Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37219

Re: Petition of Chattanooga Gas Company, Nashville Gas Company, a division of Piedmont Natural Gas Company, Inc. and United Cities Gas Company, a division of Atmos Energy Corporation for a Declaratory Ruling regarding the Collectibility of the Gas Cost Portion of Uncollectable Accounts under the Purchase Gas Adjustment ("PGA") Rules

Dear Chairman Kyle:

Enclosed you will find the original and thirteen copies of the above referenced petition filed on behalf of Chattanooga Gas Company, Nashville Gas Company, a division of Piedmont Natural Gas Company, Inc. and United Cities Gas Company, a division of Atmos Energy Corporation, and a check for \$25.00 for the filing fee.

WALLER LANSDEN DORTCH & DAVIS

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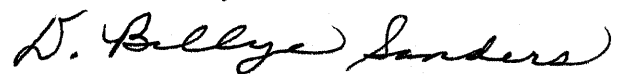
Sara Kyle, Chairman

March 17, 2003

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Please contact me if you have any questions or need additional information.

Sincerely,

A handwritten signature in cursive script that reads "D. Billye Sanders".

D. Billye Sanders

DBS/kwr

Enclosures

cc: Russell Perkins, Esq.
Larry Buie
Archie Hickerson
David Carpenter
Bill Morris
Jerry W. Amos, Esq.
James Jeffries, Esq.
Patricia Childers
Joe A. Conner, Esq.

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:

PETITION OF CHATTANOOGA GAS
COMPANY, NASHVILLE GAS COMPANY,
A DIVISION OF PIEDMONT NATURAL
GAS COMPANY, INC. AND UNITED
CITIES GAS COMPANY, A DIVISION
OF ATMOS ENERGY CORPORATION,
FOR A DECLARATORY RULING
REGARDING THE COLLECTIBILITY
OF THE GAS COSTS PORTION OF
UNCOLLECTIBLE ACCOUNTS UNDER
THE PURCHASE GAS ADJUSTMENT
("PGA") RULES

DOCKET NO. 03- 00209

PETITION FOR DECLARATORY RULING

Come now, Chattanooga Gas Company ("Chattanooga Gas"), Nashville Gas Company, a Division of Piedmont Natural Gas Company, Inc. ("Nashville Gas"), and United Cities Gas Company, a Division of Atmos Energy Corporation ("United Cities Gas") (collectively, the "Petitioners") and respectfully request the Tennessee Regulatory Authority ("TRA" or "Authority") to issue a declaratory order pursuant to T.C.A. §65-2-104, T.C.A. §4-5-223 and T.R.A. Rule 1220-1-2-.06 ruling that the gas costs portion of the uncollectible accounts of the Petitioners is recoverable through the Purchased Gas Adjustment (PGA) Rules (TRA Rule 1220-4-7, et. seq.). In support of this Petition and the Petitioners' contention that the gas costs portion of uncollectible accounts is recoverable through the PGA Rules, the Petitioners state the following:

1. Any notices or other communications with respect to this Petition should be sent to the following individuals on behalf of the respective Petitioners:

A. For Chattanooga Gas:

Larry Buie, General Manager
Chattanooga Gas Company
2207 Olan Mills Drive
Chattanooga, TN 37421
Telephone (423) 490 4300
Facsimile: (423) 490 4326

Archie Hickerson
Manager – Rates
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B. For Nashville Gas:

David Carpenter
Director – Rates
Piedmont Natural Gas Company, Inc.
P.O. Box 33068
Charlotte, NC 28233
Telephone: (704) 364-3120
Facsimile: (704) 364-8320

Bill R. Morris
Director – Corporate Planning & Development Services
Piedmont Natural Gas Company, Inc.
P.O. Box 33068
Charlotte, NC 28233
Telephone: (704) 364-3120
Facsimile: (704) 364-8320

Jerry W. Amos
Nelson, Mullins, Riley & Scarborough, L.L.P.
Bank of America
Corporate Center, Suite 2400
100 North Tryon Street
Charlotte, NC 28202

Telephone: (704) 417-3000
Facsimile: (704) 377-4814

C. For United Cities Gas:

Patricia Childers
Vice President of Regulatory Affairs
United Cities Gas Company
Atmos Energy Corporation
810 Crescent Centre Drive,
Suite 600
Franklin, TN 37067-6226
Telephone: (615) 771-8332
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Joe A. Conner
Baker, Donelson, Bearman & Caldwell, P.C.
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633 Chestnut Street
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2. The Petitioners seek to recover gas costs included in uncollectible accounts. The interpretation of the PGA Rules requested is consistent with the intent of the PGA Rules. The "Purchase Gas Adjustment (PGA) Rules are intended to permit the gas company to recover, in timely fashion, the total cost of gas purchased for delivery to its customers and to assure that the company does not over-collect or under-collect Gas Costs from its customers".¹

3. Currently, there are two components to Petitioners' rates: (i) gas costs that are recovered through the PGA; and (ii) all other costs (i.e. costs of distribution from the city gate to the customer) which are recovered through base rates that are set in a rate case. Petitioners are currently allowed a certain amount in their base rates for uncollectible accounts. This reserve for uncollectible accounts includes the gas portion and the non-gas portion of customer charges. Currently, if actual uncollectible accounts exceed

¹ TRA Rule 1220-4-7-.02(1)

the amount in the reserve in base rates, the Petitioners must absorb the loss. Likewise, if the actual uncollected account is less than the amount in its reserve in base rates, then the Petitioners are allowed to keep the excess.

4. The Petitioners contend that the gas portion of uncollectible accounts is properly recoverable pursuant to TRA Rule 1220-4-7. Therefore, the Petitioners seek to recover the gas costs portion of net write-offs for each fiscal year in their PGAs in the manner set forth herein. To the extent that the gas costs portion of net write-offs for a fiscal year exceed the gas costs portion of uncollectible accounts allowed in base rates during such fiscal year, the unrecovered portion would be included in the Petitioners' individual Actual Cost Adjustment (ACA) filings. Petitioners would remain at risk for the distribution cost (margin) portion included in base rates. Conversely, to the extent that the gas costs portion of net write-offs for a fiscal year are less than the gas costs portion included in their base rates, the difference would be credited to customers through the ACA filings. This procedure would remain in place until rates are set in the Petitioners next general rate case. In future rate cases, only the non-gas portion (margin) of uncollectible accounts would be included in base rates. The gas costs portion would be collected through the PGA and trued-up with the Actual Cost Adjustment ("ACA") filing.

5. In the case where a Petitioner collects the gas costs portion of a delinquent account through the PGA, and the customer later pays that account, the Petitioner would credit the ACA/PGA deferred gas cost account for the benefit of ratepayers. Deferred gas costs accounts will be reconciled at the end of the ACA period to reflect the net recovery after credits for payments received on the written-off amounts. The respective reconciliations of the Petitioners will be included in each Petitioner's ACA Audit filing.

6. The following is an example of how the Petitioners would credit the PGA for the gas costs portion of uncollectible accounts that is currently included in base rates:

Prior to a Petitioner's next rate case, the amount of uncollectible accounts will be calculated as follows:

Total Net Bad Debt Write-off	\$1,000,000
Gas Costs Portion of Bad Debt	\$750,000
Less Gas Costs for Bad Debt in Base Rates	<u>(\$70,000)</u>
Amount of Gas Costs for Bad Debt Recoverable through the ACA	\$680,000

In future rate cases it would not be necessary to create an allowance for such gas costs in base rates. However, the Petitioners would continue to recover in base rates the projected bad debt associated with non-gas costs. Therefore, after each Petitioner's next rate case, the above calculation would be modified as follows:

Projected Net Bad Debt Write-off	\$1,000,000
Gas Costs Portion of Bad Debt	\$750,000
Less Gas Costs for Bad Debt in Base Rates	-0-
Amount of Gas Costs for Bad Debt Recoverable through the ACA	\$750,000

Amount of Bad Debt Related to Non-Gas Costs Recoverable through Base Rates	\$250,000
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WHEREFORE, the Petitioners respectfully pray that the Authority issue a declaratory order declaring that the gas costs portion of uncollectible accounts is recoverable by the Petitioners through their PGAs in the manner set forth in this Petition.

Respectfully submitted this 17th day of March, 2003.

Chattanooga Gas Company

By: D. Billye Sanders
D. Billye Sanders
Its Attorney

Waller Lansden Dortch & Davis, PLLC
511 Union Street, Suite 2100
Nashville, TN 37219-1760
(615) 244-6380

Nashville Gas, a Division of Piedmont
Natural Gas Company, Inc.

By: James H. Jeffries IV for PGB with permission
James H. Jeffries IV
Jerry W. Amos
Its Attorneys

Nelson, Mullins, Riley &
Scarborough, L.L.P.
Bank of America
Corporate Center, Suite 2400
100 Tryon Street
Charlotte, NC 28202
(704) 417-3000

United Cities Gas Company
a Division of Atmos Energy Corporation,
Inc.

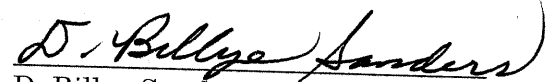
By: Joe A. Conner by RBC with
Joe A. Conner *Permission*
Its Attorney

Baker, Donelson, Bearman & Caldwell, P.C.
1800 Republic Centre
633 Chestnut Street
Chattanooga, TN 37450-1800
(423) 756-2010

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been mailed,
postage prepaid to the following this 17th day of March, 2003.

Russell Perkins
Office of Consumer Advocate and Protection Division
425 Fifth Avenue North
Nashville, TN 37202-0207


D. Billye Sanders